

## Message Text

LIMITED OFFICIAL USE

PAGE 01 CARACA 09556 091936Z

53

ACTION ARA-20

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03

PA-04 PRS-01 USIA-15 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 PC-04 ABF-01

FS-01 DRC-01 /170 W

----- 082325

P 091644Z NOV 73

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 1737

LIMITED OFFICIAL USE CARACAS 9556

PASS: U.S. TREASURY

E.O. 11652: GDS

TAGS: EFIN, VE, AFIN

SUBJ: REVALUATION OF BOLIVAR LIKELY

REF: CARACAS 9271

1. PROBABILITY OF REVALUATION OF BOLIVAR HAS INCREASED CONSIDERABLY. WHILE REFTTEL LISTED REVALUATION AS ONE POSSIBLE MOVE WHICH COPEI ADMINISTRATION COULD TAKE IN ORDER TO INFLUENCE ELECTION, INCREASE IN PETROLEUM TAX REFERENCE VALUES COMBINED WITH LATEST STATISTICS ON INCREASING COST OF LIVING CAUSES EMBASSY TO EXPECT REVALUATION OF BOLIVAR TO BE ANNOUNCED SHORTLY, POSSIBLY AS EARLY AS THIS WEEKEND.

2. EMBASSY INFORMED THAT REVALUATION HAS BEEN PUSHED FOR SEVERAL WEEKS BY SO-CALLED ECONOMIC EXPERTS WITHIN COPEI BUT SUCH MEASURE HAD BEEN RESISTED BY TECHNOCRATS IN CENTRAL BANK, MINISTRY OF FINANCE AND CORDIPLAN ON GROUNDS THAT REVALUATION WOULD MAKE VENEZUELAN NON-TRADITIONAL EXPORTS NON-COMPETITIVE AT TIME ECONOMY POLICY IS TO SHIFT FROM IMPORT SUBSTITUTION TO EXPORT PROMOTION, ESPECIALLY IN

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 CARACA 09556 091936Z

LIGHT OF VENEZUELA'S ENTRY INTO ANDEAN PACT. NEVERTHELESS WITH

RECENT POLL CLAIMING AD PARTY IN LEAD POLITICAL IMPETUS FOR REVALUATION IS BECOMING OVERWHELMING.

3. AS REPORTED IN EMBASSY'S ECONOMIC TRENDS REPORT FOR AUGUST (A-370), TERMINATION OF RELATIVE PRICE STABILITY (REFLECTED IN BASIC COST OF LIVING COMMODITIES) HAS BEEN PRIMARY NEGATIVE FACTOR ECONOMY. BY REVALUING BOLIVAR GOVERNMENT CAN CLAIM THAT IT IS NOT ONLY EVIDENCE OF STRENGTH OF ECONOMY IN INTERNATIONAL TERMS, BUT MORE IMPORTANTLY A DECISIVE STEP TO FIGHT INFLATION. WHILE REVALUATION MAY SEEM SOMEWHAT ESOTERIC TO MAN IN THE STREET, GOVERNMENT PROBABLY WOULD TRY TO CAPITALIZE ON IT IN POLITICAL TERMS BY POSTING AVERAGE COST OF IMPORTED ITEMS (WHICH CONSTITUTE SIGNIFICANT PROPORTION OF VENEZUELAN MARKET BASKET) BEFORE AND AFTER REVALUATION.

4. ALTHOUGH GOVERNMENT HAS BEEN CLAIMING THAT IT HAS MAINTAINED RELATIVE PRICE STABILITY ESPECIALLY THROUGH DIRECT SUBSIDIES FOR AGRICULTURAL IMPORTS, STATISTICS RELEASED BY CENTRAL BANK YESTERDAY SHOULD REMOVE ANY DOUBT THAT INFLATION HAS INDEED BECOME A PROBLEM HERE. DURING FIRST SEVEN MONTHS OF 1973 ALONE, GENERAL PRICE INDEX INCREASED 5.0 PERCENT OR AT ANNUAL RATE OF 8.5 PERCENT. AGRICULTURAL PRODUCTS HAVE INCREASED 15.0 PERCENT THROUGH JULY OR AT ANNUAL RATE OF 25.7 PERCENT.

5. GENERAL CONSENSUS OF EMBASSY CONTACTS PRIMARILY IN PRIVATE SECTOR IS, REVALUATION - IF IT TAKES PLACE - WILL BE APPROXIMATELY 10 PERCENT, E.E., ABOUT BS. 4 - \$1.00. IF DUAL RATE IS MAINTAINED, PETROLEUM EXPORT RATE IS EXPECTED TO BE BS. 3.90 - \$1.00. ON OTHER HAND, WITH SUCH LARGE REVALUATION GOVERNMENT MAY SETTLE ON UNIFIED RATE OF BS. 4 - \$1.00.

6. OTHER INDICATIONS WHICH SUPPORT REVALUATION THESIS IS THAT ALFREDO GOMEZ MACHADO, PRESIDENT OF BANCO MERCANTILE Y AGRICOLA (CHASE MANHATTAN) AND FORMER PRESIDENT OF CENTRAL BANK TOLD PRESS WEEK AGO THAT INCREASED PETROLEUM REVENUE WOULD LEAD TO REVALUATION. MORE SPECIFIC REPORT ON GOVERNMENT'S INTENTION ATTRIBUTED CONFIDENTIALLY TO CENTRAL BANK ADVISOR, WHO SAID SOME LARGE FIRMS ALREADY HAVE RETURNED TO VENEZUELA SIGNIFICANT AMOUNTS OF MONEY EITHER IN ANTICIPATION OF OR A HEDGE AGAINST REVALUATION OF BOLIVAR.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 CARACA 09556 091936Z

7. IN LIGHT OF ABOVE, EMBASSY REQUESTS WASHINGTON ADVICE RE PURCHASE OF BOLIVARES FOR ITS OWN ACCOUNTS.  
MCCLINTOCK

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ELECTION CANDIDATES, NATIONAL ELECTIONS, REVALUATIONS, ECONOMIC PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 09 NOV 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973CARACA09556  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** CARACAS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19731145/aaaabgrj.tel  
**Line Count:** 110  
**Locator:** TEXT ON-LINE  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** CARACAS 9271  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 31 JAN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <31-Jan-2002 by boyleja>; APPROVED <14 FEB 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** REVALUATION OF BOLIVAR LIKELY  
**TAGS:** EFIN, AFIN, VE  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005